



OFFICE OF MANAGEMENT AND BUDGET

Isiah Leggett
County Executive

Joseph F. Beach
Director

MEMORANDUM

June 22, 2010

TO: Nancy Floreen, President, County Council

FROM: Joseph F. Beach, Director, Office of Management and Budget
Jennifer E. Barrett, Director, Department of Finance

SUBJECT: FY10 Third Quarterly Analysis

Attached please find the Third Quarterly Analysis for Montgomery County Government. Except for the departments noted below, expenditures are projected to be within budget or in surplus for tax supported departments and funds in FY10. We are projecting a total tax supported expenditure surplus of \$69.3 million, which is \$34 million more in expenditure savings than assumed at second quarter (note: approximately \$1.4 million in contract liquidations involved encumbrances from prior fiscal years and are, therefore, reflected in the budget as additional resources rather than reduced spending). This is consistent with the additional expenditure and resource changes included in the Executive's April 22 budget amendments and assumed in the budget the County Council approved on May 27. We will continue to monitor department spending and will manage the year-end closeout process to ensure compliance with these targets.

Third quarter results for the Department of General Services and the Department of Transportation exclude spending on snow removal and other storm related clean-up. As you know, the set aside assumed in the operating budget will fund these expenditures, and the snow supplemental appropriation request is before the Council for approval.

Third Quarter Expenditure Results

The Ethics Commission is estimating over-spending by \$20,110 due to outside legal services to prosecute an ethics complaint pending before the Commission.

The Sheriff is estimating an over-expenditure of \$62,620 due to unanticipated emergency pay and fewer sworn position vacancies than assumed in the budget.

The Utilities non-departmental account is estimated to have a shortfall of \$400,000. While the Department of General Services has implemented various conservation measures to meet the Council's four percent energy cost reduction goal, a substantial portion of the Utilities budget is used to power streetlights and traffic signals, which are not affected by changes in building occupant behavior.

Office of the Director

Nancy Floreen, President, County Council
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Total Non-Departmental Account expenditures are projected to be within budget; however, the following individual accounts are projected to be over-spent: Prisoner Medical Services because of medical claims incurred to date; State Property Tax Services because the actual invoice from the State for property tax services was higher than originally budgeted; and the Working Families Income Supplement because actual earned income tax credit payments were higher than originally budgeted. Expenditures in the Climate Change Implementation non-departmental account are covered by additional resources from the liquidation of a prior year purchase order encumbrance.

Third Quarter Revenue Update

Attached is an update on tax revenue collections through the end of the third quarter.

JFB:ac

c: Isiah Leggett, County Executive
Timothy L. Firestine, Chief Administrative Officer
Kathleen Boucher, Assistant Chief Administrative Officer
All County Government Department Heads and Merit Directors

Attachments: Third Quarterly Analysis of Expenditures
Tax Revenue Collections: Through 3/31/10

FY10 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
Tax Supported					
General Fund					
Board of Appeals	617,520	618,880	598,360	20,520	3.3%
Board of Elections	4,468,770	4,471,630	3,155,500	1,316,130	29.4%
Circuit Court	10,410,980	10,410,980	9,887,550	523,430	5.0%
Commission for Women	1,197,670	1,202,220	1,125,280	76,940	6.4%
Consumer Protection	2,442,010	2,443,360	2,335,290	108,070	4.4%
Correction and Rehabilitation	65,414,400	65,446,670	64,815,970	630,700	1.0%
County Attorney	5,224,980	5,238,290	4,947,250	291,040	5.6%
County Council	9,057,090	9,077,760	9,136,150	-58,390	-0.6%
County Executive	6,399,960	6,410,960	5,918,290	492,670	7.7%
Economic Development	7,628,240	7,638,620	6,940,850	697,770	9.1%
Emergency Management and Homeland Security	1,346,940	1,348,370	966,460	381,910	28.3%
Environmental Protection	3,013,960	3,018,230	2,651,470	366,760	12.2%
Ethics Commission	272,390	273,100	293,210	-20,110	-7.4%
Finance	9,751,930	9,772,600	8,472,550	1,300,050	13.3%
General Services	27,970,950	27,986,280	24,128,920	3,857,360	13.8%
Health and Human Services	194,074,350	194,159,500	176,219,160	17,940,340	9.2%
Housing and Community Affairs	5,066,790	5,073,300	4,767,550	305,750	6.0%
Human Resources	8,522,410	8,530,860	7,905,150	625,710	7.3%
Human Rights	2,160,810	2,164,540	2,024,850	139,690	6.5%
Inspector General	634,730	635,930	612,980	22,950	3.6%
Intergovernmental Relations	877,400	877,400	822,660	54,740	6.2%
Legislative Oversight	1,341,070	1,345,350	1,219,870	125,480	9.3%
Management and Budget	3,703,890	3,713,320	3,613,400	99,920	2.7%
Merit System Protection Board	159,960	159,960	150,320	9,640	6.0%
Non-Departmental Accounts	110,230,320	109,955,400	107,276,280	2,679,130	2.4%
People's Counsel	246,520	246,520	243,630	2,890	1.2%
Police	246,262,150	246,277,900	229,474,620	16,803,280	6.8%
Public Information	1,215,210	1,217,700	1,208,950	8,750	0.7%
Public Libraries	37,569,400	37,603,970	34,961,990	2,641,980	7.0%
Regional Services Centers	4,140,360	4,149,030	3,707,600	441,430	10.6%
Sheriff	20,631,770	20,635,500	20,698,120	-62,620	-0.3%
State's Attorney	12,148,340	12,148,340	12,059,770	88,570	0.7%
Technology Services	31,844,190	31,885,630	25,543,470	6,342,160	19.9%
Transportation	46,573,220	46,602,470	42,095,220	4,507,250	9.7%
Utilities	27,282,900	27,282,900	27,682,900	-400,000	-1.5%
Zoning and Administrative Hearings	524,440	524,440	488,560	35,880	6.8%
General Fund Total	910,428,020	910,547,910	848,150,150	62,397,770	6.9%
Special Funds					
<u>Bethesda Urban District</u>					
Urban Districts	3,380,210	3,380,210	3,278,800	101,410	3.0%

FY10 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Silver Spring Urban District</u>					
Urban Districts	2,891,930	2,891,930	2,680,110	211,820	7.3%
<u>Wheaton Urban District</u>					
Urban Districts	1,660,080	1,660,080	1,610,290	49,790	3.0%
<u>Mass Transit</u>					
Transit Services	108,457,800	108,223,640	106,500,970	1,722,670	1.6%
<u>Fire</u>					
Fire and Rescue Service	192,974,090	194,282,650	192,214,640	2,068,010	1.1%
<u>Recreation</u>					
Recreation	30,528,520	30,545,640	28,585,040	1,960,600	6.4%
<u>Economic Development Fund</u>					
Economic Development Fund	852,440	2,611,450	1,782,490	828,950	31.7%
Special Funds Total	340,745,070	343,595,600	336,652,340	6,943,250	2.0 %
TAX SUPPORTED TOTAL	1,251,173,090	1,254,143,510	1,184,802,490	69,341,020	5.5 %

Non-Tax Supported

Special Funds

Grant Fund MCG

Circuit Court	2,621,970	2,539,950	2,539,950	0	0.0%
Correction and Rehabilitation	0	128,580	128,580	0	0.0%
County Executive	202,340	207,340	207,340	0	0.0%
Economic Development	2,700,000	2,691,000	2,691,000	0	0.0%
Emergency Management and Homeland Security	0	2,947,220	2,947,220	0	0.0%
Environmental Protection	0	207,540	207,540	0	0.0%
Fire and Rescue Service	744,530	2,478,890	2,478,890	0	0.0%
Health and Human Services	74,496,390	80,633,040	80,633,040	0	0.0%
Housing and Community Affairs	7,570,110	8,980,780	8,980,780	0	0.0%
Intergovernmental Relations	27,000	32,330	32,330	0	0.0%
Liquor Control	0	44,780	44,780	0	0.0%
Non-Departmental Accounts	20,098,660	5,618,220	5,618,220	0	0.0%
Police	386,250	6,548,620	6,548,620	0	0.0%
Public Libraries	160,120	158,210	158,210	0	0.0%
Recreation	0	26,380	26,380	0	0.0%
Regional Services Centers	150,000	142,000	142,000	0	0.0%
Sheriff	681,350	815,520	815,520	0	0.0%
State's Attorney	318,050	466,780	466,780	0	0.0%
Transit Services	5,488,520	5,994,240	5,994,240	0	0.0%
Transportation	0	0	0	0	0.0%
Grant Fund MCG subtotal	115,645,290	120,661,420	120,661,420	0	0.0 %

Cable Television

Cable Television	11,574,470	11,577,730	11,599,280	-21,550	-0.2%
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Montgomery Housing Initiative

Housing and Community Affairs	40,406,650	40,410,490	34,642,520	5,767,970	14.3%
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FY10 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
<u>Water Quality Protection Fund</u>					
Environmental Protection	8,895,850	8,898,720	8,433,770	464,950	5.2%
<u>Restricted Donations</u>					
Non-Departmental Accounts	1,505,430	1,505,430	241,310	1,264,120	84.0%
Special Funds Total	178,027,690	183,053,790	175,578,300	7,475,490	4.1 %
Enterprise Fund					
<u>Community Use of Public Facilities</u>					
Community Use of Public Facilities	9,169,440	9,172,150	8,386,820	785,330	8.6%
<u>Bethesda Parking District</u>					
Parking District Services	11,283,280	11,286,350	10,988,460	297,890	2.6%
<u>Montgomery Hills Parking District</u>					
Parking District Services	116,430	116,430	112,870	3,560	3.1%
<u>Silver Spring Parking District</u>					
Parking District Services	10,709,410	10,712,690	10,415,760	296,930	2.8%
<u>Wheaton Parking District</u>					
Parking District Services	1,296,320	1,297,230	1,257,610	39,620	3.1%
<u>Permitting Services</u>					
Permitting Services	27,067,180	27,095,800	26,112,760	983,040	3.6%
<u>Solid Waste Collection</u>					
Solid Waste Services	6,739,640	6,740,570	6,538,390	202,180	3.0%
<u>Solid Waste Disposal</u>					
Solid Waste Services	95,722,050	95,732,170	92,672,170	3,060,000	3.2%
<u>Vacuum Leaf Collection</u>					
Transportation	5,247,990	5,247,990	5,247,860	130	0.0%
<u>Liquor Control</u>					
Liquor Control	44,495,260	46,703,260	43,561,640	3,141,620	6.7%
Enterprise Fund Total	211,847,000	214,104,640	205,294,340	8,810,300	4.1 %
NON-TAX SUPPORTED TOTAL	389,874,690	397,158,430	380,872,640	16,285,790	4.1 %
TAX AND NON-TAX SUPPORTED TOTAL	1,641,047,780	1,651,301,940	1,565,675,130	85,626,810	9.6 %
Internal Service Funds					
<u>Employee Health Benefit Self Insurance Fund</u>					
Human Resources	174,300,820	174,303,980	171,276,820	3,027,160	1.7%
<u>Motor Pool Internal Service Fund</u>					
Fleet Management Services	64,694,320	64,698,750	61,948,600	2,750,150	4.3%
<u>Printing and Mail Internal Service Fund</u>					
General Services	6,528,490	6,528,490	6,253,490	275,000	4.2%
<u>Self Insurance Internal Service Fund</u>					
Finance	48,567,480	48,573,940	47,777,520	796,420	1.6%
INTERNAL SERVICE FUNDS TOTAL	294,091,110	294,105,160	287,256,430	6,848,730	2.3 %

FY10 3RD QUARTERLY ANALYSIS

Department	Original Budget (A)	Latest Budget (B)	Estimate (3rd QA) (C)	Variance to Budget (B-C)	% Change to Budget (B-C)/(B)
NDAs: Tax Supported - County General Fund					
NDA - Arts and Humanities Council	5,069,380	5,070,000	5,070,000	0	0.0 %
NDA - Boards, Committees and Commissions	27,000	27,000	27,000	0	0.0 %
NDA - Charter Review Commission	1,000	1,000	100	900	89.6 %
NDA - Climate Change Implementation	656,760	656,760	1,168,000	-511,240	-77.8 %
NDA - Community Grants	4,392,320	4,392,320	4,023,310	369,010	8.4 %
NDA - Compensation and Employee Benefits Adjustment	1,312,340	871,370	617,040	254,330	29.2 %
NDA - Conference and Visitors Bureau	700,490	700,490	587,860	112,630	16.1 %
NDA - Conference Center	617,400	617,400	611,300	6,100	1.0 %
NDA - Council of Governments	743,370	743,370	742,540	830	0.1 %
NDA - County Associations	72,710	72,710	72,710	0	0.0 %
NDA - Desktop Modernization	6,839,290	6,839,290	5,513,410	1,325,880	19.4 %
NDA - Grants to Munic. in Lieu of Shares Tax	28,020	28,020	28,010	10	0.0 %
NDA - Group Insurance-Retirees	26,039,330	26,039,330	26,039,330	0	0.0 %
NDA - Historical Activities	355,340	355,340	290,840	64,500	18.2 %
NDA - Homeowners' Association-Roads	87,130	87,130	87,130	0	0.0 %
NDA - Housing Opportunities Commission	6,136,340	6,136,340	6,044,600	91,740	1.5 %
NDA - Independent Audit	394,000	412,000	412,000	0	0.0 %
NDA - ITPCC	5,000	5,000	5,000	0	0.0 %
NDA - Judges Retirement Contribution	3,740	3,740	2,650	1,090	29.0 %
NDA - Leases	19,225,800	19,225,800	18,423,230	802,570	4.2 %
NDA - Montgomery Coalition for Adult English Literacy (MCA	842,420	842,420	842,420	0	0.0 %
NDA - Motor Pool Fund Contribution	30,000	30,000	30,000	0	0.0 %
NDA - Municipal Tax Duplication	7,488,240	7,488,240	7,482,610	5,630	0.1 %
NDA - Prisoner Medical Services	10,000	10,000	129,230	-119,230	-1,192.3 %
NDA - Public Technology, Inc.	20,000	20,000	20,000	0	0.0 %
NDA - Risk Management	11,510,730	11,510,730	11,378,800	131,930	1.1 %
NDA - Rockville Parking District	377,500	524,930	391,020	133,910	25.5 %
NDA - State Positions Supplement	100,940	100,940	80,380	20,560	20.4 %
NDA - State Property Tax Services	166,300	166,300	176,340	-10,040	-6.0 %
NDA - State Retirement Contribution	981,480	981,480	981,480	0	0.0 %
NDA - Takoma Park Library Annual Payment	132,830	132,830	120,160	12,680	9.5 %
NDA - Takoma Park Police Rebate	854,920	854,920	799,980	54,940	6.4 %
NDA - Working Families Income Supplement	15,008,200	15,008,200	15,077,800	-69,600	-0.5 %
NDAs: Tax Supported - County General Fund Total	110,230,320	109,955,400	107,276,280	2,679,130	2.4 %
NDAs: Non-Tax Supported - Grant Fund MCG					
NDA - Compensation and Employee Benefits Adjustment	73,660	0	0	0	0.0 %
NDA - Future Fed/State/Other Grants	20,000,000	5,593,220	5,593,220	0	0.0 %
NDA - Historical Activities	25,000	25,000	25,000	0	0.0 %
NDAs: Non-Tax Supported - Grant Fund MCG Total	20,098,660	5,618,220	5,618,220	0	0.0 %

Montgomery County, Maryland

**THIRD QUARTER REVENUE
UPDATE**

Presentation to the Montgomery County Council

Department of Finance



June 8, 2010

Revenue Update

- **Three-Quarter Year Results:**

- Total tax collections, including investment income and highway user revenue, totaled \$1,773.7 million and were 8.3% below the same three-quarter period in FY09 due primarily to reductions in the income tax and consumption taxes. Excluding property tax revenues, collections were \$755.2 million and down 24.7% from the same period in FY09.
- Income tax collections through March stood at \$577.7 million and approximately \$223.7 million below collections for the same period in FY09.
- The General Fund (G.F.) portion of property tax collections (including penalties and interest) was \$1,018.4 million (↑9.3%) through March compared to the same period in FY09. The growth is attributed to an increase in G.F. real property rate (from \$0.661 to \$0.683).

- **Transfer and Recordation Taxes:**

- Collections from the transfer tax (excluding condominium conversions) through December of FY10 were \$54.0 million, or 12.8% above the same period last fiscal year.
- Collections from the recordation tax (excluding the CIP portion and the rate premium) were \$30.4 million, an increase of 3.9% over last fiscal year.

Revenue Update

- **Transfer and Recordation Taxes (continued):**
 - The increase in the transfer and recordation taxes is primarily due to an increase in residential transactions. While total recordation tax collections (excluding the CIP portion and the rate premium) increased 3.9%, collections from mortgage refinancing decreased 22.6%.
 - The volume of transfers, not including condo conversions, was up 27.9% during the first three quarters of FY10 compared to last fiscal year, and the volume of recordation tax transactions (excluding CIP portion and rate premium) was up 16.7% compared to the first three quarters of fiscal year 2009.
 - The combined amount of revenues from the transfer and recordation taxes (excluding condo conversions, CIP portion, and rate premium) was \$84.3 million compared to \$77.1 million for the same period last year (↑9.4%).

Revenue Update

- **Consumption Taxes:**

- Total revenues from the consumption taxes (fuel/energy, hotel/motel, telephone, and admissions) totaled \$91.2 million, which were 2.7% below the first nine months of FY09.
- Fuel/energy tax collections totaled \$60.9 million and 2.1% below the same period in FY09. The decline is attributed mainly to slightly weaker consumption of electricity and natural gas by residential customers.
- Collections from the hotel/motel tax are 3.7% below the same period last year.
- Collections from the telephone tax were \$18.5 million and 3.8% below the previous fiscal year.
- Collections from the admissions tax were down 5.1% compared to the same period last year.

Revenue Update

- **Other Revenues:**

- Revenues from the County's pooled investment income were approximately \$1.0 million through March of this fiscal year and 90.9% below the same period last year.
- Highway user revenues received to date were approximately \$890,000 and 95.4% below the same period in FY09.

Revenue Summary Sheet

MAJOR REVENUE COLLECTIONS FISCAL YEAR 2010					
<u>TAXES :</u>	REPORTING PERIOD			VARIANCE FY10/FY09	PERCENT CHANGE
		FY10	FY09		
INCOME (1)	March	\$577,743,296	\$801,395,750	(\$223,652,455)	-27.9%
PROPERTY (General Fund)(2)	March	1,018,438,637	931,810,677	86,627,960	9.3%
TRANSFER (excl. condo conversion)	March	53,997,834	47,883,564	6,114,270	12.8%
RECORDATION (excl. CIP and Premium)	March	30,351,795	29,198,683	1,153,112	3.9%
FUEL/ENERGY	March	60,903,600	62,189,940	(1,286,340)	-2.1%
HOTEL/MOTEL	March	10,689,070	11,104,267	(415,197)	-3.7%
TELEPHONE	March	18,522,168	19,244,461	(722,292)	-3.8%
ADMISSIONS	March	1,103,775	1,162,718	(58,943)	-5.1%
<u>MISCELLANEOUS :</u>					
INVESTMENT INCOME (Pooled Invesment)	March	\$1,012,875	\$11,110,154	(10,097,279)	-90.9%
HIGHWAY USER	March	888,588	19,333,734	(18,445,146)	-95.4%
<u>TOTAL</u>		\$1,773,651,637	\$1,934,433,947	(\$160,782,310)	-8.3%

SOURCE: All revenue data, excluding investment income data, from revenue exhibits.

NOTES:

(1) Includes July distribution.

(2) Property Tax for General Fund includes adjustment for the income tax offset (rebate)

12-Mar-10